

Message Text

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PAGE 01 ROME 08319 201455Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05
EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
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R 201318Z MAY 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 4759
TREAS DEPT WASHDC
INFO USMISSION EC BRUSSELS
AMCONSUL MILAN
AMCONSUL NAPLES
USMISSION OECD PARIS

UNCLAS ROME 8319

E.O. 11652: N/A
TAGS: EFIN, IT
SUBJECT: ITALIAN BANKS REDUCE INTEREST RATES ON DEPOSITS

REF.: (A) 76 ROME 4874; (B) ROME 5266

PASS FRB

1. THE BANK CARTEL OF THE FOURTEEN LARGEST ITALIAN BANKS HAS AGREED TO REDUCE INTEREST RATES PAID ON DEPOSITS. PRESS REPORTS VARY ON THE AMOUNT OF THE REDUCTION AND BANKS WILL NOT YET CONFIRM THE CONTENTS OF THE AGREEMENT, WHICH WAS REACHED MAY 16. THE AUTHORITATIVE FINANCIAL PAPER "24 ORE" HAS REPORTED THAT THE MAXIMUM INTEREST ON LARGE DEPOSITS WILL HENCEFORTH BE 15.75 PERCENT INSTEAD OF 16.50 PERCENT AND THAT INTEREST ON ALL OTHER DEPOSITS WILL BE REDUCED BY ONE PERCENTAGE POINT. THE PRIME RATE TO BORROWERS (AT PRESENT 19.50) WAS NOT TOUCHED BY THE AGREEMENT.

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PAGE 02 ROME 08319 201455Z

2. THIS ACTION BY THE FOURTEEN LARGEST ITALIAN BANKS DOES NOT DIRECTLY AFFECT THE SCHEDULE OF MAXIMUM DEPOSIT RATES SET BY ALL ITALIAN BANKS THROUGH THE BANKING ASSOCIATION (ASSOBANCARIA) IN MARCH 1976 (REFTEL A). SINCE THEN,, HOWEVER, RISING MARKET RATES HAVE FORCED BANKS TO PAY SUBSTANTIALLY MORE FOR DEPOSITS THAN THESE "AGREEMENT RATES," WHICH, THEREFORE, HAVE LITTLE, IF ANY, PRACTICAL SIGNIFICANCE AT PRESENT.

3. A FACTOR OF INCREASING IMPORTANCE IN DETERMINING THE COST OF FUNDS FOR BANKS IS THE YIELD ON TREASURY BILLS, WHICH WERE OFFERED FOR SALE TO PRIVATE INVESTORS FOR THE FIRST TIME IN MARCH 1976. YIELDS ON THREE- MONTH BILLS HAVE REACHED LEVELS OF AS MUCH AS ABOUT 18 PERCENT DURING RECENT MONTHS, ALTHOUGH THEY HAVE NOW DECLINED SOMEWHAT. .THREE-MONTH BILL YIELDS WERE SHARPLY LOWER AT THE REGULAR MONTHLY AUCTION AT THE END OF APRIL AT 16.28, COMPARED TO 18.23 IN MARCH.) IN ADDITION, INTERBANK RATES, WHICH ARE THE KEY INDICATOR OF MONEY MARKET CONDITIONS IN ITALY, HAVE ALSO DRIFTED LOWER IN RECENT WEEKS. THREE-MONTH INTERBANK DEPOSITS NOW COST ABOUT 15.6 PERCENT. UNDERLYING THESE INTEREST RATE DEVELOPMENTS ARE THE DIRECT CONTROLS ON BANK LENDING (REFTEL B) WHICH ARE STRICTLY LIMITING THIS OUTLET FOR BANK FUNDS AND CHANNELLING THEM INSTEAD INTO OTHER FORMS OF INVESTMENT.GARDNER

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Message Attributes

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Sent Date: 20-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ROME08319
Document Source: CORE
Document Unique ID: 00
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Enclosure: n/a
Executive Order: N/A
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